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7
8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA / SAN JOSE

10
11 **ONLINE POLICY GROUP, NELSON**
CHU PAVLOSKY, and LUKE
12 **THOMAS SMITH,**

13 **Plaintiffs,**

14 **v.**

15 **DIEBOLD, INCORPORATED, and**
DIEBOLD ELECTION SYSTEMS,
16 **INCORPORATED,**

17 **Defendants.**

Case No. 03-4913JF

**OPPOSITION TO MOTION FOR
PRELIMINARY INJUNCTION**

Hearing Date: November 17, 2003
Time: 9:00 a.m.
Courtroom: 3

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1 INTRODUCTION

2 In the hyper-public world created by the Internet with millions of websites broadcasting
3 around the globe, the Internet Service Providers (ISPs) that connect the websites to the Internet
4 cannot constantly monitor whether their vast numbers of subscribers are posting material that
5 infringes copyrights held by others. Nor can copyright owners locate and sue every person
6 posting infringing material on a website. Recognizing this reality and the sometimes conflicting
7 interests of copyright owners, ISPs and users, Congress passed the Digital Millennium Copyright
8 Act of 1998 ("DMCA" or the "Act"), 17 U.S.C. § 512, and created a new approach to intellectual
9 property in the Internet age. *See* S. Rep. No. 105-190, at 1-2 (1998).

10 This Act guarantees ISPs a safe harbor from liability for copyright infringement if they
11 comply with the Act's requirements. The first step is for copyright owners to notify ISPs of
12 potential infringement. After receiving a notification, the ISP is permitted, free from any fear of
13 liability, to take down the infringing material, subject to putting it back within 10-14 days (again
14 without liability) if the subscriber provides a counter-notification of non-infringement and the
15 copyright owner does not sue the subscriber for infringement. As the Ninth Circuit has observed,
16 these "specific notice, take-down, and put-back procedures" are the mechanisms by which
17 Congress "carefully balanced the First Amendment rights of users with the rights of a potentially
18 injured copyright" owner. *Batzel v. Smith*, 333 F.3d 1018, 1031 n.19 (9th Cir. 2003). Taken
19 together, the procedures provide a streamlined, practical approach to copyright enforcement on
20 the Internet.

21 Plaintiffs proclaim their desire to "resist repressive legislation like the Digital Millennium
22 Copyright Act" and to "[g]et rid of bad laws such as the DMCA."¹ They boast of committing
23 "electronic civil disobedience." *See* Compl., Ex. G. Consistent with that attitude, they seek to
24 bar Diebold from following the DMCA's notification requirement. They request a preliminary
25 injunction forcing Diebold "to remove the unfounded legal threats that currently restrain them"
26 from publishing materials stolen from Diebold. Supp. Mem. at 1. By this, plaintiffs apparently

27 _____
28 ¹ Swarthmore Coalition for the Digital Commons Manifesto 0.1, Reeves Decl., Ex. A.;
Objectives of the SCDC, Reeves Decl., Ex. B.

1 mean that the Court should require Diebold to rescind its notifications of copyright
2 infringement—notices that are the first step in the DMCA’s safe harbor process. That request, as
3 well as plaintiffs’ original request (as incorporated in the Order to Show Cause) to bar the
4 issuance of any further "legal threats" to anyone, should be denied.

5 *First*, plaintiffs have not demonstrated any likelihood of success on their claims. They
6 cannot prevail on Count I for contractual interference, because the student plaintiffs have not
7 alleged the existence or terms of any underlying contract, and the ISP plaintiff has not
8 demonstrated that a breach or disruption has occurred. To the contrary, the ISP’s contract
9 expressly permits suspension of service for purposes of complying with the DMCA. Count II for
10 “copyright misuse” is not even a cause of action but rather an affirmative defense. Plaintiffs’
11 formulation of the invented claim, moreover, requires that they prove bad faith which they claim
12 is shown by Diebold’s serving infringement notifications allegedly without any intent to sue if the
13 ISPs do not comply. But barring a copyright owner from employing the Act’s notice and take-
14 down procedures because it could not commit to do the impossible—that is, sue all infringers
15 across the globe that fail to moor within the DMCA’s safe harbor—would defeat the salutary
16 purposes of the DMCA. Moreover, Diebold has not misused its copyright or the DMCA.
17 Contrary to plaintiffs’ argument, wholesale publication of stolen material without any
18 transformative or creative effort is not fair use. Count III for misrepresentation under § 512(f) of
19 the DMCA is limited on its face to damages and cannot support a claim for injunctive relief.
20 Count IV for declaratory relief does not seek injunctive relief.

21 *Second*, the requested injunctive relief would violate Diebold’s First Amendment right to
22 petition the government for redress of grievances. Plaintiffs admit that the First Amendment
23 protects the right to sue but contradictorily assert that pre-litigation notifications required by law
24 are not litigation activity. This proposition is illogical and has been uniformly rejected by the
25 federal courts.

26 *Third*, plaintiffs have failed to show irreparable injury (and their supplemental brief does
27 not even use the term). After losing their TRO request, the student plaintiffs belatedly issued a
28 counter-notification to their ISP. Assuming that the counter-notification complies with the

1 DMCA, their ISP must restore the website in 10-14 days if Diebold does not sue for infringement.
2 Plaintiffs now claim harm from not being able to broadcast the infringing material before Election
3 Day—a date already past. But had they promptly filed a counter-notification under the DMCA,
4 the short “put back” window under the DMCA would have expired before Election Day. Thus,
5 their asserted injury is of their own making and their thirteenth-hour acceptance of the DMCA
6 procedures demonstrates that they have a legal remedy available under the Act.

7 *Fourth*, plaintiffs have not and cannot dispute that the public interest favors compliance
8 with the DMCA, as it represents Congress’ careful balance of competing interests. Enjoining a
9 company from availing itself of the DMCA procedures to stop infringing activities would be truly
10 unprecedented, unnecessary and contrary to the public interest.

11 **SUPPLEMENTAL FACTUAL BACKGROUND**

12 Plaintiffs’ supplemental brief does not deny that a hacker stole Diebold’s private,
13 proprietary material. When the stolen material was first published on a Swarthmore website,
14 Diebold issued an infringement notification to Swarthmore as the ISP. The student plaintiffs
15 sought to avoid the DMCA’s “take-down” provisions by switching the material to other websites.
16 *See* Compl. ¶¶ 36-39. When that tactic failed and their ISP removed the infringing material, the
17 students continued to shun the DMCA. This is despite Swarthmore’s advice that their legal
18 recourse was to serve a counter-notification under the DMCA. As described on Swarthmore’s
19 website on October 31: “Acting on legal counsel, the Swarthmore administration has advised
20 students on the process for filing under the copyright law a “counter-notification” against
21 Diebold’s take-down demand.”² Swarthmore also advised the students that in apparent contrast
22 to their wholesale publication of the stolen materials without analysis or commentary:

23 it is defensible on fair-use and free-speech grounds to use their web sites to describe the
24 content of the memos they have seen and their implications for American democracy, and
25 to use their sites to inform interested members of the public that the memos are available
26 at sites not associated with Swarthmore. Legal counsel has advised the College that a
27 federal district court ruling in a 1999 case, *Intellectual Reserve vs. Utah Lighthouse*
Ministry, suggests that providing direct hyperlinks may be construed as contributory
28 copyright infringement.

² Swarthmore Administration Taking Steps To Support Student Action in Diebold Matter, dated 10/31/03, Reeves Decl., Ex. M.

1 *Id.* Swarthmore's president added that “civic responsibility encourages students to act on their
2 commitment to a better society by first seeking approaches within the law to reach socially
3 significant goals, before considering civil disobedience.” *Id.*

4 Rejecting that advice, the student plaintiffs chose not to serve a counter-notification of
5 non-infringement. Instead, they filed suit and asked the Court to bar Diebold from complying
6 with the DMCA notification procedures. In other words, having decided that they were not going
7 to comply with the DMCA, the student plaintiffs sought to bar Diebold from doing so.

8 After the Court denied their TRO application on November 4, the student plaintiffs finally
9 issued a counter-notification under the DMCA on November 6. As a result, the DMCA’s “put
10 back” provision is in play, and unless Diebold sues for copyright infringement, the infringing
11 material will be restored in 10-14 business days, or by November 26. In total, the period during
12 which Swarthmore barred the student plaintiffs from publishing the stolen materials will be the
13 time period specified by Congress, plus the time period during which plaintiffs deliberately failed
14 to take advantage of the DMCA protections.

15 ARGUMENT

16 I. PLAINTIFFS ARE NOT LIKELY TO PREVAIL ON THE MERITS.

17 A. Count I

18 1. Plaintiffs cannot establish the elements of a contractual interference claim.

19 Plaintiffs cannot prevail on this cause of action for four reasons. *First*, the student
20 plaintiffs’ claims fail because they neither allege a contract with their college for the provision of
21 Internet service nor state the terms of any such contract.³ Instead, they assert that Diebold’s
22 cease-and-desist letter to Swarthmore (Compl., Ex. F) “admits knowledge” of a contract. The
23 letter, however, says no such thing, stating only that the college is hosting a website that infringes
24 Diebold’s copyrights.⁴

25 ³ See e.g., *Kentmaster Mfg. Co. v. Jarvis Products, Corp.*, 146 F.3d 691, 695 (9th Cir. 1998)
26 (dismissing claim for tortious interference with contract where plaintiff failed to allege a valid and
27 existing contract); *Sicor Ltd v. Cetus Corp.*, 51 F.3d 848, 861 (9th Cir. 1995) (holding that plaintiff
28 who only provided “conclusory allegations concerning the existence of a contract” failed to allege that
there was a valid and existing contract for a tortious interference claim).

⁴ Nor do the student plaintiffs show that the cease-and-desist letter sent to Swarthmore
pertains to their personal websites or their organization’s website.

1 *Second*, plaintiffs do not show any breach or disruption of contract. The student plaintiffs
2 do not claim that Swarthmore’s insistence that they comply with its policy against posting or
3 linking to infringing materials is outside Swarthmore’s rights or constitutes a breach of any
4 contract. Instead, they allege “fear for the continuity of their Internet service from Swarthmore.”
5 Compl. ¶ 64. “Fear,” however, is not the kind of economic disruption that the tort of contract
6 interference encompasses. *See Pac. Gas & Elec. Co. v. Bear Stearns & Co.*, 50 Cal. 3d 1118,
7 1129 (1990) (disruption of contract means performance has been made more “costly or more
8 burdensome.”). Similarly, OPG admits that both itself and Hurricane Electric have refused to
9 breach any alleged contract. Compl. ¶¶ 22, 28. Moreover, although OPG newly asserts that it has
10 now required a subscriber to remove the stolen material from a website, OPG does not assert that
11 it was breaching any contract in doing so or that its contractual performance was more costly or
12 burdensome as a result.

13 *Third*, there is no evidence that Diebold intended to induce any breach. To the contrary,
14 because OPG’s contract as noted authorized its ISP to “modify or suspend Customer’s Service in
15 the event of illegal use of the Network or **as necessary to comply with any law or regulation,**
16 **including the Digital Millennium Copyright Act** of 1998, 17 U.S.C. 512” (Compl., Ex. A, ¶
17 2.10) (emphasis added), the ISP would have been within its rights in suspending service in
18 response to Diebold’s notification. As noted, however, OPG alleges that its ISP did not do so.

19 *Fourth*, because commencing litigation is not actionable interference under California law
20 (*see Pac. Gas & Elec. Co.*, 50 Cal.3d 1127; *LucasArts Entertainment Co. v. Humongous*
21 *Entertainment Co.*, 870 F. Supp. 285, 291 (N.D. Cal. 1993)), issuing a notice of litigation cannot
22 be considered actionable interference. It is simply not “an actionable wrong for one in good faith
23 to make plain to whomsoever that it is his purpose to insist upon what he believes to be his legal
24 rights, even though he may misconceive what those rights are.” *Mallinckrodt, Inc. v. Medipart,*
25 *Inc.*, 976 F.2d 700, 710 (Fed. Cir. 1992) (internal quotations and citation omitted). “Seeking to
26 protect a copyright by alerting a third party that the copyright is being infringed” is not actionable
27 as contract interference. *Arista Records, Inc. v. MP3Board, Inc.*, 2002 WL 1997918 (S.D.N.Y.
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1 2002) (applying California law). *See* Diebold’s 11/4/03 Opp., p. 5. Plaintiffs have no answer to
2 this dispositive point, so their supplemental brief ignores it.

3 **2. The state law claim would be preempted if interpreted to bar a copyright**
4 **owner from complying with the DMCA.**

5 Federal law preempts state law that “stands as an obstacle to the accomplishment and
6 execution of the full purposes and objectives of Congress—whether that ‘obstacle’ goes by the
7 name of conflicting; contrary to; repugnance; difference; irreconcilability; inconsistency;
8 violation; curtailment; interference, or the like.” *Geier v. Am. Honda Motor Co.*, 529 U.S. 861,
9 873 (2000) (internal quotations and citation omitted). State law is preempted if it “prevent[s] or
10 frustrate[s] the accomplishment of a federal objective” or “makes it impossible for private parties
11 to comply with both state and federal law.” *Id.* (internal quotations and citations omitted). These
12 principles of conflict preemption have special force here because “it is generally for Congress, not
13 the courts, to decide how best to pursue the Copyright Clause’s objectives.” *Eldred v. Ashcroft*,
14 537 U.S. 186, 212 (2003).

15 In essence, plaintiffs are seeking to supplant the notice, take down and put back provisions
16 enacted by Congress—the centerpiece of the Congressional balance (*Batzel v. Smith*, 333 F.3d
17 1018, 1031 n.19 (9th Cir. 2003))—and replace them with litigation of a state law tort claim. That
18 approach directly conflicts with and creates “an obstacle to the accomplishment and execution of”
19 Congress’ goal of providing a speedy but balanced mechanism for resolving Internet-based
20 infringement claims. *See Hines v. Davidowitz*, 312 U.S. 52, 67 (1941); *see also Fidelity Fed. Sav.*
21 *& Loan Ass’n. v. de la Cuesta*, 458 U.S. 141, 156 (1982) (finding conflict preemption where state
22 law limited the application of a federal regulation considered essential to federal policy). The
23 DMCA was designed to “balance the need for **rapid response** to potential infringement with the
24 end-users legitimate interests in not having material removed without recourse.” S.Rep. No. 105-
25 190, at 21 (emphasis added); *see also id.* at 44 (observing that safe harbor is intended to protect
26 the ISP that “acts expeditiously to remove or disable access to the infringing material”).

27 Plaintiffs’ resort to state law claims to enjoin the DMCA procedure and to require courts to
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1 resolve questions of copyright infringement as soon as a notice is issued. This tactic would
2 plainly frustrate and interfere with Congress' objectives.

3 Missing this critical point, plaintiffs argue (Supp. Mem. at 7) that enjoining the issuance
4 of notification letters is "compatible with the Congressional aims in passing the DMCA," because
5 ISPs may forego the DMCA's safe harbor. That is a non-sequitor. To be sure, the DMCA does
6 not require ISPs to use the safe harbor. But plaintiffs' misuse of state law for injunctive relief
7 would destroy Congress' carefully-crafted balance no matter whether the ISP would seek the
8 protection of the safe harbor. The Act provides one sure way for a copyright owner to confer
9 "actual knowledge" of infringing activities on ISPs. Under the DMCA, when an ISP receives an
10 infringement notice, it must choose between enforcing its non-infringement policy on which safe
11 harbor status is premised (*see* section 512(i)(1)(A)) or losing that protected status. If the ISP does
12 not receive an infringement notice and does not otherwise have actual knowledge of
13 infringement, it retains the safe harbor status without having been put to the choice that Congress
14 intended. In other words, enjoining a copyright owner from notifying ISPs of infringement would
15 effectively eliminate the one procedural mechanism the DMCA provides for copyright owners to
16 preserve their remedy against ISPs. By stripping Diebold of this procedural protection and
17 possibly its remedy, any injunction would obstruct Congress' remedial scheme, raise serious
18 constitutional questions, and, at the very least, violate the stalwart principle that where "Congress,
19 exercising its delegated powers, has decided the order of priorities in a given area, it is . . . for the
20 courts to enforce them when enforcement is sought. Courts of equity cannot, in their decision,
21 reject the balance that Congress has struck in a statute." *U.S. v. Oakland Cannabis Buyers' Co-*
22 *op.*, 532 U.S. 483, 497 (2001) (quoting *Tennessee Valley Auth. v. Hill*, 437 U.S. 153, 194-95
23 (1978)).

24 **B. Count II**

25 **1. No cause of action for "copyright misuse" exists.**

26 Plaintiffs do not identify any legal basis for their supposed "misuse" claim. To our
27 knowledge, neither the United States Supreme Court nor the Ninth Circuit has recognized any
28 such claim. Traditionally, misuse has been asserted as an affirmative defense to an infringement

1 claim. See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1026 (9th Cir. 2001) (referring to
2 the “defense of copyright misuse”); cf. *Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860,
3 868 (Fed. Cir. 1997) (“Patent misuse is an affirmative defense to an accusation of patent
4 infringement.”).

5 If, however, such a cause of action existed, it could not serve as the basis for injunctive
6 relief. The sole supposedly contrary authority plaintiffs cite (Supp. Mem. at 7) is a patent case,
7 *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992), that actually reversed a
8 district court for issuing the kind of injunction sought here. In that case, a medical device
9 manufacturing company that sold its products with “single use notices” attached sued defendants
10 for reusing the devices in violation of its patent. *Id.* at 702. The district court dismissed the
11 plaintiffs’ infringement claim on the ground that the notice was not enforceable through a patent
12 suit and enjoined the plaintiff from distributing unenforceable notices. *Id.* The Federal Circuit
13 reversed, observing that

14 [a] patentee that has a good faith belief that its patents are being infringed
15 violates no protected right when it so notifies infringers: Patents would be of
16 little value if infringers of them could not be notified of the consequences of
infringement or proceeded against in the courts. Such action, considered by
itself cannot be said to be illegal.

17 *Id.* at 709 (internal quotations and citation omitted). The Court continued, “[n]or should an
18 accused infringer be insulated from knowledge and fair warning of potential liability, or deprived
19 of the opportunity to respond to threatened litigation.” *Id.* at 710.

20 Far from supporting plaintiffs, *Mallinckrodt* stands for the proposition that a patent holder
21 “must be allowed to make its rights known to a potential infringer so that the latter can determine
22 whether to cease its allegedly infringing activities, negotiate a license if one is offered, or decide
23 to run the risk of liability and/or the imposition of an injunction.” *Virginia Panel Corp. v. MAC*
24 *Panel Corp.*, 133 F.3d 860, 869 (Fed. Cir. 1997); see *Surfeo Hawaii v. Fin Control Sys. Pty. Ltd.*,
25 52 U.S.P.Q.2d 1313 (D. Haw. 1999) (holding cease-and-desist letters cannot be the basis of an
26 unfair competition claim because they are permissible notice under *Mallinckrodt*). See also
27 *Mikhon Gaming Corp. v. Acres Gaming Inc.*, 165 F.3d 891, 897 (Fed. Cir. 1998) (“Thus federal
28

1 authority makes clear that it is not improper for a patent owner to advise possible infringers of its
2 belief that a particular product may infringe the patent.”).⁵

3 **2. In any event, plaintiffs cannot show bad faith.**

4 Even assuming an affirmative “misuse” claim, plaintiffs cannot prevail. Under their own
5 formulation of the claim, they would be required to prove that Diebold acted in bad faith. Their
6 sole evidence of bad faith, however, is that Diebold followed the DMCA as the “fastest route” to
7 enforce its rights instead of suing. *See* Supp. Mem. at 1, 3. But sending notification letters,
8 without more, does not show that Diebold “never intended” to sue anyone. More importantly, the
9 entire argument ignores that the very purpose of the DMCA is to create a speedy remedy for
10 copyright owners because they cannot possibly go around the globe tracking down and suing
11 every one that posts infringing material on a website. Thus, what plaintiffs criticize as Diebold’s
12 attempt to seek the “fastest route” to relief is exactly the result Congress intended.

13 **3. Plaintiffs are not making “fair use” of the stolen email archive.**

14 Nor can plaintiffs excuse their wholesale use of the stolen material as “fair use.” Plaintiffs
15 are subject to a heightened standard of proof, because unpublished materials are given special
16 protection under fair use analysis. *See* Nimmer on Copyright § 5.04; *Harper & Row Publishers,*
17 *Inc. v. Nation Enter.*, 471 U.S. 539, 555 (1985); *Salinger v. Random House, Inc.*, 811 F.2d 90 (2d
18 Cir. 1987). As the Supreme Court explained in *Harper & Row*, unpublished material is not
19 normally subject to fair use in light of the fact that “the author’s right to control the first public
20 appearance of his undisseminated expression will outweigh a claim of fair use.” *Id.* at 555; *see*
21 *also Salinger*, 811 F.2d at 95 (interpreting *Harper & Row* to mean that “special emphasis [must
22 be placed] on the unpublished nature of [copyrighted] letters.”). Congress, too, has observed that
23 “[t]he applicability of the fair use doctrine to unpublished works is narrowly limited since,
24 although the work is unavailable, this is the result of a deliberate choice on the part of the

25 ⁵ In accord is *Kaplan v. Helenhart Novelty Corp.*, 182 F.3d 311, 314 (2d Cir. 1950), in which
26 the Second Circuit vacated a temporary injunction barring “misuse of the patent.” The court reasoned
27 that such injunctions are not required in the age of the Declaratory Judgment Act, because plaintiffs
28 do not have to sit and suffer injury; they have “a plain and complete remedy for any wrong done
them, in that they could have brought this suit [for declaratory relief] whenever they pleased after the
first notice was given.”

1 copyright owner. Under ordinary circumstances, the copyright owner's 'right of first
2 publication' would outweigh any needs of reproduction for classroom purposes." S.Rep. No. 94-
3 473 at 64 (1975).

4 Beyond that, neither the student plaintiffs nor OPG can demonstrate a likelihood of
5 success under the traditional four-factor analysis for fair use. See 17 U.S.C. § 107.

6 *Factor 1: Purpose and Character of the Use.* Plaintiffs miss the point in arguing (Supp.
7 Mem. at 4) that a work is transformative if its purpose is different from that of the original. To
8 the contrary, the thrust of this factor is to ascertain whether the "new work" essentially copies or
9 "supplants" the original work "or instead adds something new, with a further purpose or different
10 character." This factor "asks, in other words, whether and to what extent the new work is
11 'transformative.'" *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578-79 (1994); *A&M*
12 *Records, Inc. v. Napster, Inc.*, 239 F.3d at 1015. Unless the new work is transformative, it is not
13 entitled to protection as "fair use" because it does not serve the underlying purpose of the copyright
14 law, namely, to promote creativity. As observed in *Napster*, "[c]ourts have been reluctant to find
15 fair use when an original work is merely retransmitted in a different medium." 239 F.3d at 1015.
16 As the Second Circuit summarized, in holding that photocopying entire articles in scholarly
17 journals was not fair use: "Mechanical 'copying' of an entire document, made readily feasible and
18 economical by the advent of xerography, . . . is obviously an activity entirely different from
19 creating a work of authorship. Whatever social utility copying of this sort achieves, it is not
20 concerned with creative authorship." *American Geophysical Union v. Texaco Inc.*, 60 F.3d 913,
21 917 (2d Cir. 1994).⁶

22 By the same token, whatever social value plaintiffs may claim here, there is nothing
23 transformative or creative about publishing stolen internal company documents in a wholesale
24 fashion. The student plaintiffs are not using excerpts of an email in a critical analysis, nor are
25 they following Swarthmore's advice of simply describing some of the documents and
26 commenting on "their implications for American democracy." *Supra*, p. 3, Indeed, while

27 ⁶ This principle applies equally to the Internet. The fact that infringing material "was clothed
28 in the exotic webbing of the Internet does not disguise its illegality." *Napster*, 239 F.3d at 1015
(citation omitted).

1 plaintiffs argue that they were engaged in “fair use,” they never tell the Court exactly how they
2 used the stolen materials. As stated in our initial brief, they posted the materials on their
3 websites, advertised them as “Diebold Internal Memos” and invited the world to download the
4 materials and “share it with your friends.” No analysis or other commentary was provided
5 beyond “Diebold is stealing our democracy.” Reeves Decl., Ex. G.

6 Plaintiffs offer no response to the holding in *Religious Technology Center v. Netcom On-*
7 *Line Communication Services Inc.*, 923 F. Supp. 1231, 1249 (N.D. Cal. 1995), that the fair use
8 doctrine does not protect “criticism” that consists of copying large portions of copyright material
9 even though the infringer’s purpose was different from that of the copyright owner. *See also*
10 *Wainwright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 96-97 (2d Cir. 1977)
11 (finding no fair use when the publication of copyrighted works “did not provide independent
12 analysis or research . . . did not solicit comments on the same topics from other[s] . . . did not
13 include any criticism, praise, or other reactions by industry officials or investors”). Plaintiffs’
14 reliance (Supp. Mem. at 4) on the Ninth Circuit’s decision in *Elvis Presley Enters, Inc. v.*
15 *Passport Video*, 2003 WL 22510352 (9th Cir. Nov. 6, 2003), is misplaced. In that case, the Ninth
16 Circuit rejected a fair use defense akin to plaintiffs’ on the ground that the supposed fair use of
17 copyrighted material, a biography about Elvis, “shows significant portions of these copyrighted
18 materials.” *Id.* at *5.

19 *Factor 2: Nature of the Work.* As illegally obtained unpublished work, the nature of the
20 material here weighs heavily against finding fair use. *See Harper & Row*, 471 U.S. at 564; *see*
21 *also Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191, 200-01 (3d Cir. 2003)
22 (finding that the copyright holder “would have a stronger case against fair use had it not yet made
23 its movies available for the public’s viewing pleasure”).

24 Plaintiffs’ suggestion (Supp. Mem. at 5-6) that Diebold’s material is not entitled to
25 protection because it is factual information lacking creativity is wrong. The materials are
26 comprised of Diebold employees’ expressions and interpretations of events which are, and were
27 intended to be, protected by copyright law. “What is protected is the manner of expression, the
28 author’s analysis or interpretation of events, the way he structures his material and marshals facts,

1 his choice of words and the emphasis he gives to particular developments.” *Wainwright*
2 *Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 95-96 (2d Cir. 1977); *see also*
3 *Harper & Row*, 471 U.S. at 564-565 (holding that the unauthorized use of the factual and creative
4 sequences exceeded “that necessary to disseminate the facts”). Plaintiffs’ quote from the
5 Supreme Court’s decision in *Sony Corp. of America v. Universal City Studios, Inc.* 464 U.S. 417,
6 450 (1984), that copyright law encourages creative thought does not suggest that important (albeit
7 mundane to some) scientific and engineering papers are not protected by copyright as works of
8 authorship. The courts have long recognized that the most boring and fact-oriented engineering
9 papers are as deserving of copyright protection as the most entertaining works of literature. *See*
10 *American Geophysical Union v. Texaco*, 60 F.3d 913 (2d Cir. 1994). In this important respect,
11 plaintiffs have the creativity argument backwards. Diebold’s employees created the emails. The
12 infringers who copied and broadcast them showed no creativity. Whatever plaintiffs’
13 motivations, their publication was “not concerned with creative authorship.” *Id.* at 917.

14 *Factor 3: Amount used.* Plaintiffs’ use of the entire text of a four-inch stack of
15 materials—unexcerpted, unedited and largely without comment—weighs against a finding of fair
16 use. As the Ninth Circuit summarized in *Marcus v. Rowley*: “this court has long maintained the
17 view that wholesale copying of copyrighted material precludes application of the fair use
18 doctrine.” 695 F.2d 1171, 1176 (9th Cir. 1983) (citations omitted). In *Sony Corp. of America v.*
19 *Universal City Studios, Inc.*, the Court created an exception to that rule, holding that
20 “timeshifting” devices, such as home video recorders, that allow individuals to view copyrighted
21 work privately at a later point in time and are not used to republish the material externally, do not
22 infringe on a copyright. 464 U.S. 417, 450 (1984). Plaintiffs, however, have not simply saved
23 Diebold’s proprietary materials to their home computers to read them later. They transmitted
24 copyrighted materials, in their entirety, across the world. As Nimmer points out, “whatever the
25 use, generally, it may not constitute a fair use if the entire work is reproduced.” Nimmer on
26 Copyright § 13-05.

27 *Factor 4: Effect on Market Value of Work.* Plaintiffs’ argument (Supp. Mem. at 4) that
28 no market exists for the stolen materials and thus their conduct will have no impact on the value

1 of the copyrighted material is wrong. First, the relevant point is not whether Diebold intended to
2 sell the stolen materials, but whether it was deprived of its exclusive right to determine if or when
3 the material would ever be published. See *Harper & Row*, 471 U.S. at 551-52 (“[p]ublication of
4 an author’s expression before he has authorized its dissemination seriously infringes the author’s
5 right to decide **when** and **whether** it will be made public.”) (emphasis added); *Salinger*, 811 F.2d
6 at 99 (“[d]iminution of market value in plaintiff’s works is not lessened by the fact that their
7 author has disavowed the intention to publish them during his lifetime. . . . He is entitled to
8 protect his opportunity to sell his letters.”). That is, if the value of the work was in its **non-**
9 **publication**, plaintiffs have sought to destroy its value by disseminating it.

10 Second, plaintiffs present no facts to demonstrate the absence of a market or that
11 Diebold’s materials have no value. They simply assert that there is “no market for internal e-
12 mails” (Supp. Mem. at 5) without any citation or evidence. This factor “poses the issue of
13 whether unrestricted and widespread conduct of the sort engaged in by the [plaintiffs] (whether in
14 fact engaged in by the [plaintiffs] or by others) would result in a substantially adverse impact on
15 the potential market.” Nimmer on Copyright § 13-05. The potential market can mean either an
16 immediate or a delayed market and can include any harm to potential derivative works. See
17 *Campbell*, 510 U.S. at 593 n.23. Plaintiffs have not established that no such market exists or
18 will exist.

19 Third, it is inconsistent for plaintiffs to claim that the stolen materials have immense
20 public importance but no market value. Put simply, if the materials are sufficiently important to
21 justify breaking the law and warrant “electronic civil disobedience,” it is implausible that they
22 have no market value. While the materials may appeal to a different crowd than the one that
23 seeks first run movies and bootleg recordings, that does not mean they lack value. If, for
24 example, a company decided to supplement its coffers by compiling its research and development
25 emails and memoranda in a book, there is every reason to believe that the book would be
26 marketable. Competitors would surely pay a high price for Dell’s inner deliberations about how
27 to improve its computers, Microsoft’s evaluations of bugs in its software, or similarly a voting
28 machine manufacturer’s R&D data.

1 In short, wholesale publication of unpublished, stolen materials, with no transformation or
2 creativity and nothing other than a request that others download them in their entirety, is
3 infringement, not fair use.

4 **4. Hyperlinking to or hosting websites that contain Diebold's copyrighted**
5 **material is infringement.**

6 OPG's assertion (Supp. Mem. at 6-7) that it cannot be liable for copyright infringement by
7 merely hosting websites containing hyperlinks to infringing material is premature, erroneous and
8 contrary to the DMCA. It is premature because Diebold has not sued OPG for copyright
9 infringement. Diebold has simply requested that OPG cease "hosting a website that contains
10 information location tools that refer or link users to one or more online locations containing" the
11 copyrighted material. Compl., Ex. B. By refusing to comply, OPG put itself outside the
12 DMCA's safe harbor. But it has not been sued for infringement.

13 Plus, the argument is wrong. Under the DMCA, an ISP with knowledge that hyperlinks
14 on its site directs users to potentially infringing material is not immunized from liability. *See* 17
15 U.S.C. § 512. The whole point of the DMCA is to preserve strong incentives for ISPs and
16 copyright owners to cooperate in the area of Internet copyright infringement. *See* S.Rep. 105-
17 190, at 48-49 ("The important intended objective of this standard is to exclude sophisticated
18 'pirate' directories—which refer Internet users to other selected Internet sites where pirate
19 software, books, movies, and music can be downloaded or transmitted—from the safe harbor.").

20 Indeed, if OPG were correct that ISPs are not liable for merely hosting sites, the DMCA
21 itself would be superfluous. There would be no need for a safe harbor if there were no underlying
22 liability. In fact, as Congress itself observed when passing the DMCA, numerous courts have
23 recognized the liability of ISPs for hosting sites that contain infringing material based on
24 doctrines of "contributory and vicarious liability." S.Rep. 105-190, at 19 (citing *Religious Tech.*
25 *Center v. Netcom On-line Communications Servs.*, 907 F. Supp. 1361 (N.D. Cal. 1995); *Playboy*
26 *Enter., Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993); *Marobie-Fl v. Nat'l Ass'n of Fire*
27 *Equip. Distrib.*, 983 F. Supp. 1167 (N.D. Ill. 1997)); *see also Napster, Inc.*, 239 F.3d at 1021
28 ("We agree that if a computer system operator learns of specific infringing material available on

1 his system and fails to purge such material from the system, the operator knows of and
2 contributes to direct infringement.”); *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443
3 F.2d 1159, 1162 (2d Cir. 1971) (recognizing this theory of contributory infringement liability);
4 *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 263 (9th Cir. 1996) (adopting vicarious
5 liability theory of infringement).

6 As Swarthmore advised the students last month (*supra*, p.3), the student plaintiffs err in
7 suggesting (Supp. Mem. at 6) that contributory infringement cannot flow from simply posting a
8 hyperlink to another website. It is now well established that hyperlinks directing users to
9 websites containing infringing material themselves infringe the underlying copyright. *See, e.g.*,
10 *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*, 75 F. Supp. 2d 1290 (D. Utah 1999)
11 (plaintiff likely to prevail on claim that site that provided links to sites that posted infringing
12 copies of Mormon Church handbook was liable for contributory infringement); *Universal City*
13 *Studios, Inc. v. Reimerdes*, 111 F. Supp. 2d 294, 325 (S.D.N.Y. 2000) (linking to sites that
14 distributed circumventing software code held to violate DMCA anti-circumvention provision);
15 *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146, 1174 (C.D. Cal. 2002) (issuing
16 a preliminary injunction to copyright owner against link-provider).

17 Neither the Supreme Court’s opinion in *Sony* nor the district court’s order in *Napster* is to
18 the contrary. *Sony* recognized that “vicarious liability is imposed in virtually all areas of the
19 law,” including copyright, but found that selling equipment “with constructive knowledge of the
20 fact that their customers may use that equipment to make unauthorized copies of copyrighted
21 material” was insufficient. 464 U.S. at 439. *Napster* held only that employees of Napster could
22 not be held vicariously liable based on the facts there. Neither case dealt with liability for linking
23 to websites containing infringing material.

24 **C. Counts III and IV (DMCA and Declaratory Relief Claims)**

25 Because plaintiffs’ remaining claims—materially misrepresenting copyright infringement
26 in violation of § 512(f) of the DMCA and declaratory relief—derive entirely from their copyright
27 misuse claim, they suffer from the same aforementioned infirmities and cannot support the
28 requested injunctive relief. Namely, plaintiffs fail to dispute that the Diebold materials are

1 entitled to copyright protection and have failed to show that their unauthorized reproduction,
2 public display and distribution of the materials constitutes “fair use.” In addition, § 512(f) of the
3 DMCA does not authorize injunctive relief, but provides only for monetary remedies.

4 Contrary to plaintiffs’ further claim (Supp. Mem. at 6-7), § 512(f) of the DMCA does not
5 create a cause of action for misstating in a notification that a service provider could have liability
6 when it does not. The Southern District of New York recently considered this question in the
7 context of an ISP who fell within the DMCA’s safe harbor (and thus could not be liable for
8 infringement) and concluded that a copyright owner could not be liable under § 512(f) for sending
9 a notification to the non-liable ISP, when the notification correctly asserted some underlying
10 infringement. The court reasoned that § 512(f) “only penalizes copyright holders for knowingly
11 materially misrepresenting ‘that material or activity is infringing.’ It does not provide a cause of
12 action for knowingly materially misrepresenting that a service provider may be liable for hosting
13 certain material.” *Arista Records, Inc. v. MP3Board, Inc.*, 2002 WL 1997918, at *15 (S.D.N.Y.
14 Aug. 29, 2002) (internal quotations and citation omitted).

15 **II. THE REQUESTED RELIEF WOULD DENY DIEBOLD’S FIRST AMENDMENT**
16 **AND STATUTORY RIGHTS.**

17 Plaintiffs concede (Supp. Mem. at 3) that the First Amendment protects a company’s right
18 to sue for redress of grievance. Plaintiffs nonetheless suggest that pre-suit notification letters are
19 not protected by the First Amendment because they are private correspondence, not petitions to a
20 “government agency or a court.” For support, plaintiffs cite *Cardtoons, L.C. v. Major League*
21 *Baseball Players Ass’n*, 208 F.3d 885, 892 (10th Cir. 2000) (*en banc*), and *Allied Tube & Conduit*
22 *Corp. v. Indian Head, Inc.*, 486 U.S. 492 (1988). In those cases, however, the courts were
23 considering truly private letters. In contrast, here, the pre-notification letters are an integral part
24 of the DMCA and the litigation process itself.

25 Adopting precisely this analysis—that notification letters are part of the petition process
26 when notice is required by law—numerous courts have distinguished *Cardtoons* and considered it
27 inapplicable in intellectual property cases. As one district court observed, “unlike the facts
28 presented in *Cardtoons*, the instant case involves cease-and-desist letters that are required under

1 the statute in order for a patentee to recover damages for infringement.” *Keystone Retaining Wall*
2 *Sys., Inc. v. Rockwood Retaining Walls, Inc.*, 2001 WL 951582, at *11 (D. Minn. Aug. 22, 2001)
3 (emphasis supplied); *see also id.* at *10 (“Whether ‘litigation activities’ includes sending cease-
4 and-desist letters to third parties has not been addressed by either the United States Supreme
5 Court or the Eighth Circuit. Most courts that have considered the issue, however, have extended
6 *Noerr-Pennington* immunity to shield non-judicial acts that are ‘reasonably and normally
7 attendant upon protected litigation.’”). Yet another court has observed, “[i]n *Cardtoons*,
8 therefore, which was not an antitrust (nor a patent) case, the court was unwilling to extend the
9 right to petition as far as a ‘letter from one private party to another private party,’ a missive that
10 was never sent to the government. The case before me, however, is a patent case. That fact is
11 significant. Patent law requires a notice of infringement to be sent in order to recover damages,
12 unless the patented item is clearly marked.” *Versatile Plastics, Inc. v. Sknowbest! Inc.*, 247 F.
13 Supp. 2d 1098, 1104 (E.D. Wis. 2003) (emphasis added).⁷

14 In addition, plaintiffs contend that they seek to enjoin Diebold only from sending “bad
15 faith threats of baseless lawsuits,” which they argue the First Amendment does not protect. Supp.
16 Mem. at 4. As an initial matter, this characterization of the requested relief is yet another shift in
17 plaintiffs’ strategy. Initially, plaintiffs asked to enjoin not only “any” “threat” from Diebold
18 whatsoever but also “any lawsuit . . . against Plaintiffs.” Compl. at 15. Evidently realizing that
19 this requested relief was so overbroad as to be barred by the First Amendment, plaintiffs next
20 argued that they sought to enjoin all “unfounded legal threats,” which presumably included letters
21 sent in good faith under the DMCA that notified ISPs of potentially infringing materials. Br. in
22 Support of TRO at 1. Such an injunction would also be barred by the First Amendment because
23 (as previously explained) good faith notification letters are protected litigation activity. Implicitly

24 ⁷ *In accord* *McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552, 1558-60 (11th Cir. 1992);
25 *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1367 (5th Cir. 1983); *Matsushita Elec. Corp.*
26 *v. Loral Corp.*, 974 F. Supp. 345, 359 (S.D.N.Y. 1997); *Thermos Co. v. Igloo Products Corp.*, 1995
27 WL 842002, at *4-5 (N.D. Ill. Sept. 27, 1995); *West Professional Education Group v. Harcourt Brace*
28 *Legal and Professional Publications, Inc.*, 1995 WL 422651 (D. Minn. June 2, 1995); *Johnson v.*
Con-Vey/Keystone, Inc., 856 F. Supp. 1443 (D. Or. 1994); *Barq’s Inc. v. Barq’s Beverages, Inc.*, 677
F. Supp. 449 (E.D. La. 1987); *Aircapital Cablevision, Inc. v. Starlink Communications Group, Inc.*,
634 F. Supp. 316 (D. Kan. 1986).

1 conceding this point, plaintiffs hedge their bets in their current brief by resorting to the argument
2 that they seek to enjoin only “unfounded legal threats” or “bad faith threats of baseless litigation.”
3 Supp. Mem. at 1, 4. The problem with this argument, however, is that no such threats have been
4 issued by Diebold.

5 As the letters attached to the complaint demonstrate, Diebold has not issued a litigation
6 threat, let alone a bad faith threat of baseless litigation. Its letters simply notify ISPs that they
7 “appear to be hosting a web site” that infringes Diebold’s copyright, identify the copyrighted
8 work and the site containing it, provide that transmission of copyrighted material is not
9 authorized, attest that the information is accurate, and **reserve** Diebold’s legal rights. *See* Compl.
10 Ex. B, D, F. Apart from the last, these statements are all identified in the DMCA’s effective
11 notice provision. *See* 17 U.S.C. § 512(c)(3)(A). The last statement simply prevents the letter
12 from being read as a waiver. Rather than threatening litigation, the letters expressly state that
13 their purpose is “to seek [the recipient’s] agreement,” not to commence litigation. In addition to
14 all the other reasons why an injunction would be unwarranted, the absence of any “bad faith
15 threats of baseless lawsuits” in the past, or concrete evidence that such threats will be issued in
16 the future, prohibits the injunction requested by plaintiffs. *See Partington v. Gedan*, 961 F.2d
17 852, 862 (9th Cir. 1992) (because complaint failed to articulate basis for concluding that plaintiff
18 would be mistreated in the future, injunction could not issue because “[w]ithout such a concrete
19 likelihood, the case or controversy requirement [of Article III] cannot be met.”).

20 Nor would an injunction against “unfounded threats” of “baseless litigation” be specific or
21 detailed enough to satisfy Rule 65(d). That Rule requires that an injunction “shall be specific in
22 its terms [and] shall describe in reasonable detail . . . the acts sought to be restrained.” “The Rule
23 was designed to prevent uncertainty and confusion on the part of those faced with injunctive
24 orders, and to avoid the possible founding of a contempt citation on a decree too vague to be
25 understood.” *Schmidt v. Lessard*, 414 U.S. 473, 476 (1974). *See, e.g., Altman v. Bedford Cent.*
26 *School Dist.*, 245 F.3d 49 (2d Cir. 2001), *cert. denied Dibari v. Bedford Cent. School Dist.*, 534
27 U.S. 827 (2001) (injunction to avoid sponsoring or disparaging religious beliefs held by students
28 or their parents was impermissibly vague); *IDS Life Ins. Co. v. SunAmerica Life Ins. Co.*, 136

1 F.3d 537 (7th Cir. 1998) (injunction enjoining defendant from inducing sales agents to engage in
2 "unlawful insurance practices" was impermissibly vague); *Hughey v. JMS Development Corp.*, 78
3 F.3d 1523 (11th Cir. 1996) (injunction prohibiting developer from discharging any stormwater
4 runoff in violation of Clean Water Act was unenforceable "obey the law" injunction in absence of
5 operative command capable of enforcement).

6 **III. PLAINTIFFS CANNOT SHOW IRREPARABLE INJURY.**

7 For many of the same reasons, plaintiffs cannot show anything approaching irreparable
8 injury. Indeed, their supplemental brief does not even mention the term. They argue only (Supp.
9 Mem. at 8) that they will be injured, despite the 10-14 day "put-back" window Congress provided
10 in the DMCA, because they cannot post the email archive "prior to the November 4, 2003
11 elections, a critical time for discussion of the security of e-voting machines." This argument
12 ignores that this window reflects a congressional determination that speech is not chilled by a
13 short two-week take down of a website. More importantly, the argument ignores that plaintiffs'
14 "irreparable harm" is self-inflicted (and that November 4 has come and gone). On October 9, the
15 student plaintiffs' ISP was first notified of the infringing material on another Swarthmore website.
16 Instead of filing a counter-notification at that time, which would have meant that the 10-14 day
17 "put back" window would have run by the end of October, the student plaintiffs shifted the
18 infringing material to the website of their organization, SCDC. That is, rather than take
19 advantage of the protections in the DMCA, the students engaged in what they called "electronic
20 civil disobedience." The resulting delay—their "injury"—was thus of their own doing.⁸

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⁸ To excuse their earlier failure to serve a counter-notification, the students blame their
25 college, claiming that they were led to believe that it would not accept a counter-notification. But it is
26 the subscriber's sending, not the ISP's "acceptance," of the counter-notification that has significance
27 under the DMCA. In all events, Swarthmore made clear to the students that it disagreed with their
28 "civil disobedience" and encouraged them to serve a counter-notification—before they filed suit.
Indeed, the student plaintiffs admit that by at least October 31—five days before they sued—their
confusion was cleared up. *See* Smith Supp. Decl., ¶4. They offer no excuse for waiting until after the
Court denied the TRO to follow the DMCA procedure.

1 **IV. THE PUBLIC INTEREST FAVORS FOLLOWING THE DMCA PROCEDURE.**



2 Plaintiffs have no answer to the argument that the public interest favors following
3 Congress' carefully-crafted scheme to balance the interests of copyright owners, Internet Service
4 Providers, and subscribers. *See* Diebold's 11/6 Opp'n at 7-8. Individuals who, in plaintiffs'
5 words, are "injured by . . . abuse" of the infringement notification procedure are provided a
6 remedy by Congress and that remedy is the remedy that plaintiffs seek in Count IV. Plaintiffs
7 have made no showing that this Court needs to supplement the remedies provided by Congress in
8 the DMCA. And as shown above, the remedies that the plaintiffs proposed conflict with the
9 DMCA, are unnecessary, and would violate the First Amendment.

10 **CONCLUSION**

11 For these reasons and those stated in Diebold's opposition, the motion for preliminary
12 injunction should be denied.

13
14 Dated: November 12, 2003

JONES DAY

15
16 By:  
17 Robert A. Mittelstaedt

18 Attorneys for Defendant
19 DIEBOLD, INCORPORATED, AND
20 DIEBOLD ELECTION SYSTEMS,
21 INCORPORATED

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